

## The Market Administrator's

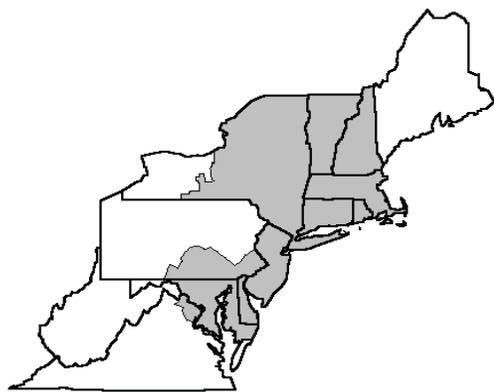
# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1



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### September Pool Price Calculation

The September 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$22.23 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$22.81 per hundredweight. The September statistical uniform price was 99 cents per hundredweight below the August price, which was the highest ever under the Order. The September producer price differential (PPD) at Suffolk County was \$3.16 per hundredweight, an increase of \$1.61 per hundredweight from last month.

During September, all commodity prices declined except dry whey. All class prices dropped except Class I, announced in advance and based off of prior month's commodity prices. Even though the dry whey price increased, the Class IV price declined because of the butterfat component in that price's formula. The strong Class I price (\$25.03; second highest on record) combined with the highest Class I utilization percent so far this year to keep the uniform price above \$22.00 per hundredweight.

The Class II volume for September was not an all-time high, but did set a new record for the month of September. The producer other solids test was the highest ever for the month of September. ❖

### Strong Sales of Organic Fluid Products

For the first 6 months of 2011, sales of organic fluid milk products in the Northeast Milk Marketing Area (NMA) jumped 21.4 percent from the same period in 2010. This increase is three times the growth that occurred during the January through June period last year. According to *Dairy Market News*, estimated sales on a national basis had a similar jump: 20.0 percent during the first 6 months of 2011, compared to 10.4 percent for the same period in 2010. The accompanying table shows a comparison of organic and total sales in the NMA and US.

Total non-organic fluid sales in the NMA declined 2.4 percent for the January-June period. Nationally, the decline was 2.2 percent. (continued on page 3)

### Pool Summary

- A total of 12,878 producers were pooled under the Order with an average daily delivery per producer of 5,091 pounds.
- Pooled milk receipts totaled 1.967 billion pounds, an increase of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.3 percent of total milk receipts, an increase of 1.3 percentage points from August.
- The average butterfat test of producer receipts was 3.68 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.3	851,599,606
Class II	24.0	473,003,874
Class III	25.7	504,744,514
Class IV	7.0	137,403,591
Total Pooled Milk		1,966,751,585

#### Producer Component Prices

	2011	2010
	\$/lb	
Protein Price	3.0282	2.3057
Butterfat Price	2.2005	2.4044
Other Solids Price	0.4053	0.1673

#### Class Price Factors

	2011	2010
	\$/cwt	
Class I	25.03	18.75
Class II	20.55	17.60
Class III	19.07	16.26
Class IV	19.53	16.76

## No CCC Purchases in MY 2011

During Marketing Year 2011 (October 1, 2010, through September 30, 2011) the Commodity Credit Corporation (CCC) did not purchase products under the support program. This is the third time in the past five MYs that there have been no purchases; prior to 2007, the last time this occurred was in 1996. Between 1996 and 2007, purchases peaked in MY 2003 with a total of 4.9 billion pounds (milk equivalent basis). Since 1996, butter purchases only occurred in MYs 2003, 2004, and 2009. Cheese has been purchased only 5 years since 1993 – in MY 1997 and from 2000 to 2003. Purchases of nonfat dry milk have taken place in all years since 1996 except 2007, 2008, and 2011.

The MY ended with no uncommitted inventories of cheese, butter, or NFDM. Uncommitted inventories are stocks owned by the CCC that have not been sold, donated, or, in any way, committed for use. The last inventories were reported at the end of MY 2004 when 609 million pounds of NFDM were held. ❖

## Price & MILC Projections

Based on October 14, Chicago Mercantile Exchange (CME) futures prices as an estimate of where National Agricultural Statistics Services milk prices are headed, as well as feed prices, there is a possibility of Milk Income Loss Contract (MILC) payments being triggered by January 2012 and lasting much of the year. The size of the payments, based on the October 14 settlement prices and historical based estimates for alfalfa hay prices relative to corn and soybeans, appear to be between 23 and 52 cents per hundredweight. Projections of milk and feed prices are hovering at levels at which during any given week, movements up or down result in the prediction of some level of MILC payments or none at all.

Current CME-based projections result in corn prices from \$6.40 to \$6.69 per bushel and soybean prices between \$12.70 and \$13.10 per bushel for the final 4 months of the year. Such an outcome would result in an annual average corn price per bushel of \$6.21 and an annual average soybean price per bushel of \$12.88. High feed prices during 2011 mean that the MILC trigger price (the price at which the Class I price in Boston must fall below) likely will average over \$20.00 per cwt. The Class I price in Boston, MA, is expected to remain above \$21.00 per hundredweight for the remainder of the year.

Looking forward to 2012, CME futures imply an almost identical level of price for corn and soybeans, averaging \$6.39 and \$12.77 per bushel, respectively. The 2012 MILC trigger price is projected to average about 20 cents less than in 2011, while the Class I price in Boston is projected to average about \$2.00 per cwt less than in 2011.

### MILC Limitations

The 2008 Farm Bill authorized continuation of the MILC program through Sept. 30, 2012. Each operation's per year pound limit for payment eligibility is 2.985 million pounds for October 1, 2011, through September 30, 2012. For purposes of applying the yearly pay limits on pounds per operation, the program uses a start month concept for each year. An operation must pick a start month for each fiscal year. Once the start month is picked, any marketings in that month and subsequent months of the fiscal year that generate a payment will count against the operation's fiscal year limit. Due to the combination of the pounds limit and the start month concept, monitoring the start of and level of MILC payments is important.

Payments are computed on a monthly basis. They  
(continued on page 3)

### Northeast Order Price and Milk Income Loss Contract Payment Projections

	2011				Annual Average	2012						Annual Average
	Sep	Oct	Nov	Dec		Jan	Feb	Mar	Apr	May	Jun	
CME-based Futures Prices on October 14, 2011												
Corn (per bushel)	\$6.69	\$6.59	\$6.50	\$6.40	\$6.21	\$6.44	\$6.47	\$6.51	\$6.55	\$6.58	\$6.61	\$6.39
Soybean (per bushel)	\$13.10	\$12.90	\$12.70	\$12.74	\$12.88	\$12.78	\$12.82	\$12.85	\$12.87	\$12.89	\$12.92	\$12.77
Alfalfa hay (per ton)	\$196	\$190	\$190	\$190	\$169	\$190	\$190	\$190	\$190	\$190	\$190	\$188
Feed-adjusted MILC Trigger Price (\$/cwt)	\$21.61	\$21.37	\$21.25	\$21.16	\$20.61	\$21.20	\$21.24	\$21.28	\$21.32	\$21.35	\$21.38	\$20.80
Class I (\$/cwt)	25.03	22.81	21.50	21.29	\$22.33	20.66	20.25	20.30	20.30	20.30	20.30	\$20.31
Total MILC Payment (\$/cwt) (45 percent of the difference between the trigger price and Class I price)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.24	\$0.45	\$0.44	\$0.46	\$0.47	\$0.49	\$0.41
Uniform Price (\$/cwt)	22.23	20.65	19.76	19.37	\$20.61	18.80	18.61	18.61	18.50	18.45	18.56	\$18.72
PPD (\$/cwt)	3.16	2.73	2.74	2.62	\$2.59	2.40	2.39	2.39	2.21	2.27	2.13	\$2.15

## Pool Summary for All Federal Orders, January–September, 2010–2011

Federal Order		Total Producer Milk			Producer Price		Statistical	
					Differential#		Uniform Price#*	
Number	Name	2010	2011	Change	2010	2011	2010	2011
		pounds			percent	dollars per hundredweight		
<b>1</b>	<b>Northeast</b>	<b>18,323,411,532</b>	<b>18,479,671,915</b>	<b>0.9</b>	<b>2.52</b>	<b>2.56</b>	<b>16.59</b>	<b>20.83</b>
5	Appalachian	4,525,178,057	4,558,781,176	0.7	N/A	N/A	17.55	21.88
6	Florida	2,155,920,809	2,188,779,744	1.5	N/A	N/A	19.74	23.94
7	Southeast	5,242,062,421	5,343,683,266	1.9	N/A	N/A	17.67	21.90
30	Upper Midwest	25,654,997,221	24,849,303,828	(3.1)	0.43	0.43	14.50	18.71
32	Central	9,894,230,261	10,535,421,272	6.5	1.06	1.03	15.13	19.31
33	Mideast	12,129,104,875	11,817,467,956	(2.6)	1.45	1.45	15.53	19.73
124	Pacific Northwest	6,048,478,625	6,080,625,854	0.5	1.01	1.14	15.08	19.42
126	Southwest	8,386,220,126	8,489,385,697	1.2	2.08	2.12	16.15	20.40
131	Arizona	3,171,253,906	3,405,377,815	7.4	N/A	N/A	15.48	19.91
All Market Total/Average		95,530,857,833	95,748,498,523	0.2	1.42	1.45	16.34	20.60

# Price at designated order location.

\* Price at 3.5% butterfat.

N/A = Not applicable.

### Strong Sales *(continued from page 1)*

In the NMA, January-June 2011 sales of organic milk products accounted for 5.2 percent of all fluid sales in the area, up from 4.2 percent in 2010. Nationally, organic accounted for 3.8 percent for 2011, compared to 3.1 percent the previous year.

Sales of whole organic milk made up 27.7 percent of all organic sales in the NMA during the first 6 months. This is up from 26.1 percent in 2010 and 25.7 percent in 2009. Conversely, the reduced fat category, which includes reduced fat (2%), low fat (1%), fat free (skim), and flavored milk, has declined slightly over the same years.

Handlers pooled on the Northeast Order accounted for 79.2 percent of all organic sales in the NMA. The remaining 20.8 percent of sales were from exempt distributors, handlers regulated by another federal order, and handlers that are partially regulated by one or more federal orders that have fluid sales in the NMA.

As a proportion of estimated total US organic sales, the Northeast whole organic volume accounted for 26.5 percent in 2011, while reduced fat organic products made up 22.1 percent. Overall, sales of organic fluid products in the NMA accounted for 21.4 percent of the US total during the first 6 months of 2011, compared to 16.8 percent of non-organic fluid milk products.

This was relatively unchanged from the previous year.

The USDA began collecting organic retail prices in 2008. Current survey data show prices in the Northeast states down about 10 cents per half gallon for the first 6 months of 2011 compared to the same period last year. ❖

### Sales of Organic vs. All Fluid Milk Products, Northeast Order and Estimated U.S., January–June, 2010 and 2011

	Northeast Order		Yr-to-Yr Change	Estimated Total		Yr-to-Yr Change	Northeast Share of US Total
	In-Area Sales			US Sales*			
	2010	2011		2010	2011		
Organic	million lbs		percent	million lbs		percent	
Whole	50.8	65.3	28.5	198.9	246.0	23.7	26.5
Reduced	143.4	170.4	18.8	648.9	771.0	18.8	22.1
Total	194.2	235.7	21.4	847.8	1,017.0	20.0	23.2
Non-Organic	4,430.4	4,325.0	(2.4)	26,342.2	25,750.0	(2.2)	16.8
All Fluid Milk Sales	4,624.6	4,560.7	(1.4)	27,190.0	26,767.0	(1.6)	17.0
	percent		% points	percent		% points	
Organic share of Total	4.2	5.2	1.0	3.1	3.8	0.7	

\* As reported in *Dairy Market News*.

### Prices & MILC *(continued from page 2)*

are made only when the official federal Class I milk marketing order price per cwt. for Boston, MA, is less than \$16.94 (or a feed adjusted level). When the Boston price is under the target, the payment for eligible production is 45 percent of the difference. However, for September 2012 marketings the percentage will be 34 percent.

Price projections are based on the current market outlook, which may change over the next 15 months. It is important to contact your local Farm Service Agency office for program details, particularly pertaining to rules covering payment start dates. ❖



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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	835,663,039	\$17.41	145,488,935.09	
Butterfat	15,936,567	2.3500	37,450,932.45	
Less: Location Adjustment to Handlers			(2,850,669.98)	\$180,089,197.67
Class II— Butterfat	27,331,927	2.2075	60,335,228.92	
Nonfat Solids	40,581,173	1.4767	59,926,218.13	120,261,447.05
Class III— Butterfat	20,305,821	2.2005	44,682,959.10	
Protein	15,364,764	3.0282	46,527,578.33	
Other Solids	28,768,522	0.4053	11,659,881.99	102,870,419.42
Class IV— Butterfat	8,750,954	2.2005	19,256,474.28	
Nonfat Solids	11,723,527	1.3623	15,970,960.84	35,227,435.12
<b>Total Classified Value</b>				<b>\$438,448,499.26</b>
Add: Overage—All Classes				83,866.69
Inventory Reclassification—All Classes				(115,481.87)
Other Source Receipts	2,358,503 Pounds			104,253.78
<b>Total Pool Value</b>				<b>\$438,521,137.86</b>
Less: Producer Component Valuations @ Class III Component Prices				(386,437,211.63)
<b>Total PPD Value Before Adjustments</b>				<b>\$52,083,926.23</b>
Add: Location Adjustment to Producers				10,270,344.13
One-half Unobligated Balance—Producer Settlement Fund				801,438.05
Less: Producer Settlement Fund—Reserve				(931,829.56)
<b>Total Pool Milk &amp; PPD Value</b>	1,969,110,088 Producer pounds			<b>\$62,223,878.85</b>
Producer Price Differential		<b>\$3.16</b>		
Statistical Uniform Price		<b>\$22.23</b>		

\* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.